



Remarks by UW System President Ray Cross

Joint Finance Committee

March 30, 2017

Thank you Co-Chair Darling/Co-Chair Nygren, Committee Members, Fiscal Bureau and legislative staff.

I appreciate the opportunity to come before the committee today to discuss the Governor's proposed biennial budget.

Let me begin by saying we are very pleased with what the Governor has proposed. It provides the first investment of new state dollars the UW System has received in more than a decade. We appreciate this recognition of the critical role we play in strengthening Wisconsin's economy and its workforce. Research continues to show that an investment in the UW System yields at least a ten-fold return.

We are also pleased the Governor's proposed budget reflects the priorities and direction expressed in our [2020FWD strategic framework](#), a copy of which we've provided to each of you. We unveiled the 2020FWD plan last August, and it served as the basis for our biennial budget request. We presented the strategic framework – which aligns UW System resources with Wisconsin's greatest needs – to the Governor last November and it's clear he listened. As you will see, there are a number of parallel themes between his budget and our request.

Before I discuss a few specific items today, I want to remind you that the strategic framework was developed with input from over 5,000 Wisconsin citizens, including business leaders, community leaders, professionals, parents, and legislators, including a number of you. The Governor held listening sessions at the same time and clearly he heard many of the same themes.

I've shared a spreadsheet with each of you that shows how the Board's biennial budget request compares to the Governor's proposal. I won't go line by line through that document, rather, let me focus on five major areas.

First, affordability. We know there are multiple factors that affect college affordability. As I've said before, time to degree has the largest impact on college affordability. That is why we recommend robust initiatives to help students graduate on time, such as expanding early college credit options in high school and making it easier to transfer college credits between institutions. While some of the tactics we propose are different, the Governor's budget also embraced these initiatives. We all recognize that when students graduate on time, they save money and they get into the workforce more quickly.

Obviously, tuition and financial aid are key factors as well. That's why the Board of Regents requested \$19 million over the biennium in additional financial aid for students through the Wisconsin Grant program. The Board also passed a plan that freezes tuition in year one and

allows for an increase of up to inflation in year two. Like, the Governor is also clearly focused on affordability, with both an increase in financial aid and funding to offset a tuition cut included in his plan. Affordability is our shared destination - we just have slightly different paths to get there. We prefer efforts to target financial aid because that will directly help the students with the most need. Quite frankly, we don't think we're far apart, and we look forward to working with this committee and the administration to take steps in this budget that keeps college both affordable and accessible for Wisconsin students and families.

Accountability is the second area where the Governor's budget aligns with our strategic plan. The UW System was the first higher education system in the nation to implement an accountability report, and we post this data online in a graphical format, something we started in 2014. This data includes a broad spectrum of higher education performance metrics related to access, affordability, educational performance, and much more. While we are very proud of the transparency this information provides, we also want to provide data that compares our performance against a set of goals. That's why both the Governor and the UW System embraced a report card, one that would reveal our progress toward established goals. We want to show where we have been, where we are, and where we want to go – we want to show the progress we are making to meet our goals.

Closely connected to the report card is tying a portion state support to outcome-based funding. You will often hear this referred to as performance based funding, but I agree with Senator Harsdorf, who believes we should be focused on investing in, measuring, and rewarding outcomes rather than inputs. Both the Governor and UW System have embraced this idea and propose different funding models to incentivize outcomes at our institutions. While each take a different approach, the broad goals are the same. As we work to refine the formula and metrics associated with outcomes based funding, we will also work to make sure the fiduciary role of the Board of Regents is maintained, that the uniqueness of the UW System and each institution is recognized and valued, that any outcomes based metrics are measurable, and that these metrics are of value to the state, while also reflecting our commitment to the core values of a comprehensive and quality higher education experience.

Third, we have placed an emphasis on employee compensation. As I have said before and will continue to say, our faculty and staff work incredibly hard and are valued by Wisconsin students. Our institutions compete for talent at an international level and strong benefit packages, including retirement, health care, and salaries are critical. Our faculty and staff are the reason the institutions within the UW System are some of the best in the world. Simply put, we need to continue to attract and retain talented faculty to best serve our students and prepare them for the future economy by delivering a quality experience for students, families, taxpayers, businesses and communities. Also, the research they perform improves our lives, our communities, and our economy. Last year UW System faculty and staff generated 171 new patents. Let me put that in context – every week UW System faculty and staff generated 3.3 patents! That is why innovation is important to the future of this state. That's why the Board took the unusual step of including a request for an increase in compensation as part of our formal budget request in August of last year.

So, we sincerely appreciate the Governor's recognition that our employees deserve general wage adjustments and hope you will agree to continue to support this investment.

Fourth, we are calling for a larger investment in our infrastructure. The UW System carefully developed a reasonable capital budget to perform a limited amount of work each year. We are mindful of the costs and concerns associated with bonding. That's why we focused our plan on renovations, remodeling, and the maintenance of existing buildings. Our plan only includes one new academic building, a desperately needed engineering building at UW-Platteville. To reinforce just how conservative and targeted we have been in this process, the capital infrastructure plan we submitted only impacts about 3% of our existing inventory – and it renovates only 1.6% of our gross square footage.

The Governor's capital budget proposal will allow us to do some general maintenance across the UW System. While we greatly appreciate this proposed investment in our infrastructure, we do have some concerns. We want to make sure that UW System receives a proportional amount of the bonding available, since the majority of state owned facilities are managed by the UW System. Second, as we all know, when projects are delayed, their costs go up. Increasing our investment now can save taxpayers and students millions of dollars later.

Finally, we appreciate that the Governor has again provided some **increased flexibility** in the area of procurement. Please know that we appreciate these new tools. This is a step in the right direction because, according to a 2011 NCHEMS study, the UW System is one of the four most regulated university systems in the country. I have worked as a faculty member and department head in Michigan, a president in Minnesota, New York, and now Wisconsin and let me tell you – that study is pretty accurate.

At a time when leaders in Washington and Madison are working to reduce regulatory burdens on all levels of government, we are asking legislators and the Governor to work with us to continue to reduce costly red tape and help move us lower on this less than desirable ranking.

One of the ways you could help us is to continue to give the Board of Regents more latitude to govern. I have to note, we have a very thoughtful, deliberate, and engaged Board of Regents. They are not a rubber stamp – believe me, they are not a rubber stamp! They volunteer an incredible amount of their time and talents to help guide and transform the operations of the UW System. They bring a unique and impressive blend of corporate, government, and community experience. They are major drivers and strong partners in our strategic vision, our budget request, and our efforts to reform our processes.

In closing, affordability, accountability, compensation, infrastructure maintenance, and flexibilities are important to the university system. As I have said before, this is the best budget the UW System has seen in a decade. We look forward to working with this committee to ensure this budget continues to reflect our shared goals and delivers the best possible return on the state's investment. Thank you again for having us here today. I'm happy to take any questions.